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Agenda Item 5

November 14, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** Real Estate Board Investment Consultant – Finalist Selection
- II. **PROGRAM:** CalPERS Total Fund
- III. **RECOMMENDATION:** Approve the Real Estate Board Investment Consultant Finalists
- IV. **ANALYSIS:**

Background

Since 2004, CalPERS Board has engaged a Real Estate Board Investment Consultant. The role of this consultant is to provide independent oversight and advice, in addition to strategy, policy and investment analysis to the Investment Committee. Pension Consulting Alliance, Inc. has performed this service since January 2009.

In July 2011, CalPERS released Request for Proposal (RFP) No. 2011-6066 to solicit for a Real Estate Board Investment Consultant. The Services to be Provided, as outlined in the RFP, are included as Attachment 1. Six proposals were received by the final filing date from the following firms:

- Brock Capital Group, LLC
- Callan Associates, Inc.
- Courtland Partners, Ltd.
- North Point Advisors/ Racebrook Capital Advisors (Joint Venture)
- Pension Consulting Alliance, Inc.
- The Townsend Group

Proposal Evaluation and Finalist Selection

Five proposals passed the preliminary review and were reviewed and scored by consensus based upon responses to the following categories:

- Organization and Background
- Professional Staff
- Strategy Policy and Analysis
- Performance Analysis and Monitoring
- Independent Advisor to the Committee
- Additional Information

Each firm presented proposals targeted at fulfilling this role; however, three included the most comprehensive and relevant responses, demonstrating strength across categories and meeting the criteria to fulfill this critical Board role. Those three moved on in the evaluation process, and based on their combined technical and fee proposal scores, staff recommends all three as finalists:

- Callan Associates, Inc.
- Courtland Partners, Ltd.
- Pension Consulting Alliance, Inc.

Staff prepared a Profile Summary (Attachment 2) of the finalists for Investment Committee consideration. A portion of this summary includes highlights for each finalist which staff believes best supports the recommendation.

Recommendation

Staff recommends the Investment Committee approve Callan Associates, Inc., Courtland Partners, Ltd., and Pension Consulting Alliance, Inc. as the finalists to be interviewed for the Real Estate Investment Board Consultant contract. Interviews will be conducted at the December 2011 Investment Committee meeting. A contract will be awarded to the firm with the highest combined technical, fee, and interview scores.

V. RISKS

If the Investment Committee does not approve the staff recommended finalists, the existing contract will lapse, resulting in potential policy violations within the Real Estate program.

VI. STRATEGIC PLAN:

This item supports the following strategic goals:

- Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.
- Goal IX: Achieve long-term, sustainable, risk adjusted returns.

VII. RESULTS/COSTS:

The existing Real Estate Board Investment Consultant Contract is \$1,140,000 annually.

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Investment Policy and Business Services

JANINE GUILLOT
Chief Operating Investment Officer

JOSEPH A. DEAR
Chief Investment Officer